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IN THE

Supreme Court of the United States

OCTOBER TERM. 1946

NO. 28.

ALPINE MacGREGOR, Petitioner,

v.

WESTINGHOUSE ELECTRIC & MANUFACTURING COMPANY, a Corporation, Respondent.

On Writ of Certiorari to the Supreme Court of the State of Pennsylvania.

BRIEF FOR PETITIONER ON REHEARING.

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On Writ of Certiorari to the Supreme Court of the State of Pennsylvania.

BRIEF FOR PETITIONER ON REHEARING.

To the Honorable, the Chief Justice and Associate Justices of the Supreme Court of the United States:

This case is before the Court upon a writ of certiorari to the Supreme Court of the State of Pennsylvania, petition therefor being granted November 5, 1945 (R. 266). The final judgment of that Court under review here was entered June 29, 1945 (R. 262) and reported 43 A. 2d 332, affirming the decision of said Court (reported 38 A. 2d 244, R. 235) entered June 30, 1944 on petitioner's first appeal to said Court.[1] The petition for certiorari was filed September 7, 1945.

[1]The issues herein sought to be reviewed were decided by the Supreme Court of Pennsylvania in the first appeal, which said decision, by reference thereto, is in-

The decision below was unanimous and the opinions of the Court on both appeals were written by Chief Justice Maxey.

Jurisdiction.

The final judgment to be reviewed here was entered June 29, 1945. Petition for certiorari was filed September 7, 1945 and was granted November 5, 1945. The jurisdiction of this Court is invoked under Section 237 (b) of the Judicial Code, 28 U.S.C. 344, as amended. Cases believed to sustain the jurisdiction are *Palmer Clay Products Co. v. Brown*, 297 U.S. 227; *Minnie v. Port Huron Terminal Co.*, 295 U.S. 647; *Noble v. Oklahoma City*, 297 U.S. 481; *Gilvoay v. Cuyahoga Valley Ry. Co.*, 292 U.S. 57; *Fox Film Corp. v. Muller*, 296 U.S. 207; *Penn General Casualty Co. v. Pennsylvania ex rel. Schnader*, 294 U.S. 189; *Vulcan Mfg. Co. v. Maytag Co.*, 293 U.S. 553.

Statement of the Case.

This is an action *in assumpsit* for accounting under a patent royalty license tried in the Common Pleas Court, Allegheny County, Pittsburgh, Pennsylvania, without a jury.

The statement of claim (R. 3) alleges a license agreement (R. 123) dated November 16, 1937 between

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corporated in the opinion of said Court in the second appeal; and this Court has repeatedly held that it is not concluded from considering on appeal from the second judgment questions decided by the state court only on the first appeal; *Great Western Telegraph Co. v. Burnham*, 162 U.S. 339.

respondent and petitioner under Jones patent No. 1,651,709 dated December 6, 1927 (R. 219) covering the selling of brazing solders as described and claimed in the said patent. The statement of claim further alleges that said license was entered into by the parties in compromise of a patent infringement suit. Respondent's reference to petitioner's former employment throughout these proceedings is a deceptive and illusory expedient employed to divert the Court's attention from the plain fact that the original patent infringement suit was an ingenious scheme to force a license upon petitioner which, because of the price fixing provisions, enabled respondent to regulate and control petitioner's sale of copper phosphorus brazing solders. The record shows (R. 43) that petitioner was respondent's sole competitor in the sale of copper phosphorus brazing solders.

The license agreement provides, *inter alia,* that petitioner pay respondent a royalty of 10% of the net selling price of brazing solders as established by price schedules[2] furnished by respondent in conformity with paragraphs 5 and 6[3] of the license agreement.

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[2]Such price schedules (R. 149, 151) were furnished for both distributor and user selling prices with the request they be maintained by petitioner under the provisions of sections 5 and 6 of the license agreement (R. 148).

[3]Paragraphs 5 and 6 of the license agreement are as follows:

"5. WESTINGHOUSE grants this license on the express condition that the prices, terms and conditions of sale for use or sale in the United States of America, its territories and possessions of brazing solders embodying the invention covered by said Letters Patent and so long as such brazing solders continue to be covered by said patent, shall be no more favorable to the customer than those which from time to time WESTINGHOUSE estab-

Respondent charges that in conformity with said license petitioner had paid royalties on a solder containing copper, phosphorus and tin, but that petitioner had refused to pay such royalties on a solder containing copper, phosphorus and silver, and that upon respondent's request for the payment of royalty on the latter, petitioner also refused to thereafter pay the royalties for the solder containing copper, phosphorus and tin.

The answer (R. 8) denies that petitioner's solder containing copper, phosphorus and tin, and copper, phosphorus and silver, comes under respondent's patent and within the terms of the license agreement, and denies that petitioner is accountable to respondent for any royalties as charged in the complaint.

The answer further avers that during the prosecution of the application that has matured into patent 1,651,709, respondent so distinguished the invention of

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lishes and maintains for its own sales of similar or competing brazing solders under such patent to such or other similarly situated customer purchasing in like quantities. MACGREGOR shall be notified of all such prices, terms and conditions of sale fixed by WESTINGHOUSE.

The prices, terms and conditions of sale of WESTINGHOUSE may be changed by WESTINGHOUSE from time to time, notice being given MACGREGOR, but not less than five days' notice shall be given before any such change shall go into effect.

6. It is agreed that it shall be regarded as an evasion of this agreement amounting to a breach thereof for MACGREGOR to reduce WESTINGHOUSES's sale price or alter WESTINGHOUSE'S selling terms and conditions of sale directly or indirectly either through its own organization, its agents or others by any device, subterfuge or evasion or by any means whatever or to make the prices lower or the terms or conditions more favorable than those set forth by WESTINGHOUSE."

that patent from the prior art cited by the Patent Office that it is estopped from asserting the patent to embrace within its scope solder comprising copper, phosphorus and tin or silver, or any materials other than copper and phosphorus as disclosed in the patent.

Petitioner's answer contains a set-off and counterclaim (R. 12) requesting repayment of royalties heretofore paid and further averring that if respondent's patent be construed to cover brazing solders containing tin and silver it is invalid and void because the alleged invention purported to be patented thereby does not constitute patentable knowledge or invention within the meaning of the Patent Laws in view of the prior state of the art and because of respondent's admission that the alloy purported to be covered by the patent is old.[4]

The answer further avers that because of the price fixing provisions of the license agreement it is illegal

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[4]The licensed patent to Jones 1,651,709 (R. 219) is for an alloy of copper and phosphorus, the preferred composition, as stated in the patent, being 8.2% of phosphorus and the remainder copper, which melts at 707° C. This exact proportion of copper and phosphorus is known as the eutectic alloy of copper and phosphorus and is fully disclosed in the prior publication "Metallic Alloys" of 1913, by Gulliver (R. 147). Respondent in its brief below admitted that the alloy was old *per se* but argued that the invention was in the use of the alloy as a solder. Respondent there said:

> "For example, plaintiff could not now claim that the Jones patent covers copper-phosphorus alloys generally, for as defendant's brief has pointed out at page 21 Jones admitted that such alloys *per se* were old before his invention. He specifically agreed that his invention is restricted to the solder described in the claims, as distinguished from copper-phosphorus alloys generally."

and void and in violation of the anti-trust laws, namely, the Sherman and Clayton Acts, and the license evidences an illegal use of respondent's patent monopoly (R. 15).

After filing of the complaint in the state court, petitioner filed a declaratory judgment suit in the United States District Court for the Western District of Pennsylvania, asking that the patent be declared invalid and the license contract illegal. This suit was dismissed on motion of respondent on the ground that the state court having jurisdiction of the case could pass upon the question of validity of the patent and could dispose of the question of violation of the Sherman Act.

In the subsequent trial of the issues in the state court, the court refused testimony and exhibits as proof of invalidity of the patent (R. 62, 64), the court holding (R. 176) "that defendant, being a licensee, and the price fixing clauses of the license not being in suit, is estopped to attack the validity of the patent under which he is licensed and as between the parties the patent is valid."

On appeal to the Supreme Court of the State of Pennsylvania, the trial court was affirmed on the ground that the price fixing provision of the license agreement was not involved in the litigation to recover royalties and that the decision by this Court in *Sola Electric Co. v. Jefferson Electric Co.*, 317 U.S. 173, does not preclude the respondent from invoking the doctrine of estoppel.[5] The Court below, in reference to its former decision in

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[5]The Pennsylvania Supreme Court said:

"The price-fixing clause is not in issue. It is raised merely as a defense to a suit for accounting and payment of accrued royalties. The legality, the enforceability of the price-fixing clause is a moot question. We therefore do not propose to declare

Angier v. Eaton, Cole & Burnham Co., 98 Pa. 594, held that it is a recognized principle applicable to patent licenses that while the patent is apparently valid and the licensee is enjoying the benefit of its supposed validity, he is bound to pay the stipulated royalty, and cannot set up as a defense the actual invalidity of the patent.

The Supreme Court of Pennsylvania ignored the recent decision of the Seventh Circuit Court of Appeals in *Chicago Metallic Manufacturing Co. v. Katzinger Co.*, 139 F. 2d 291, construing this Court's decision in *Sola Electric Co. v. Jefferson Electric Co.*, to the effect that a licensee sued for royalty under a patent license may prove illegality of the license by establishing invalidity of the patent so long as such license contains price fixing provisions, irrespective of whether the licensor is attempting to enforce such price fixing provisions.

On the 19th day of August, 1944, petitioner filed a petition in this Court for writ of certiorari to the Supreme Court of Pennsylvania, seeking a review of that court's decision, which petition was denied on October 23, 1944 with the statement "for want of a final judgment." Petitioner, in compliance with the order and judgment of January 24, 1944, rendered an accounting on which the Court entered judgment (R. 262) in favor of the respondent in the sum of $15,485.96, from which judgment a second appeal was filed in the Supreme Court of the State of Pennsylvania, which Court, on the 29th day of June, 1945, rendered and filed its opinion

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the Jones patent invalid. Whether the price-fixing clause in the license is legal or invalid is not before this Court. It is our judgment that the decision of the Sola case does not control or determine the instant case."

affirming the judgment in accordance with the opinion filed by said Court in the first appeal (R. 235).

Petition for writ of certiorari to the Supreme Court of the State of Pennsylvania was filed September 7, 1945 and was granted November 5, 1945.

The case was argued before this Court January 31, 1946, Mr. Justice Frankfurter and Mr. Justice Jackson being absent from the Bench. On February 11, 1946, this Court by an order per curiam, the Court being equally divided, affirmed the decision of the court below. Petition for an order vacating the order of February 11, 1946 and for a rehearing by a full Bench was filed March 4, 1946, and was granted March 11, 1946, and the case is now before this Court for rehearing.

Specification of Errors.

The Supreme Court of the State of Pennsylvania erred in holding:

1. That this Court's decision in *Sola Electric Co. v. Jefferson Electric Co.*, 317 U.S. 173, does not govern the decision of any issue raised in this case, and that the decision in the *Sola* case does not preclude the plaintiff-respondent from invoking the doctrine of estoppel.

2. That to grant the prayer for an accounting does not result in anything which is prohibited by the federal anti-trust laws.

3. That whether the price fixing clause in the license is legal or invalid was not in issue, but if so could be stricken by application of the "Blue Pencil Rule" for the purpose of decreeing an accounting.

4. That MacGregor was never required under the license contract or otherwise to fix resale prices on licensed solder sold by him.

Summary of Argument.

The decision of the Supreme Court of the State of Pennsylvania is in conflict with the decisions of this Court.

The interpretation of the *Sola* case by the Supreme Court of the State of Pennsylvania is in conflict with the decision of the Seventh Circuit Court of Appeals in *Chicago Metallic Manufacturing Co. v. Katzinger Co.*, 139 F. 2d 291.

The question of validity of the Jones patent is a federal question collateral to the question of legality of the contract.

The Jones patent 1,651,709 is *prima facie* invalid and by respondent's own admission is for an old material.

The license agreement is illegal under this Court's decisions condemning resale price maintenance.

ARGUMENT

POINT I.

The Decision of the Supreme Court of the State of Pennsylvania Is in Conflict With the Decisions of This Court.

The Pennsylvania Supreme Court, with reference to the *Sola* case, said (R. 239):

> "In that case the validity of a price-fixing clause in the license agreement was challenged and that challenge could not be adjudicated by the Court until it first determined the validity of the patent, for only a valid patent could stand between that clause and its being adjudged as a violation of the Sherman Act. In that case the suit was to recover royalties withheld and also for an injunction restraining the Sola Company from selling licensed products at prices below those established by the licensor. * * * *We reject, as did the court below, the contention of MacGregor, the defendant, that the presence of a price-fixing clause in a patent-license agreement gives the licensee the right to attack the validity of the patent, regardless of whether the price-fixing clause is involved in the litigation to recover royalties.*" (Emphasis supplied)

The court below then further, with reference to the Sola case, said:

> "* * * the decision in the Sola case does not preclude the plaintiff's invoking the doctrine of estoppel."

As we read the Sola case, this Court was applying the doctrine of its former decisions in *Morton Salt*

Co. v. Suppiger Co., 314 U.S. 488, *United States v. Univis Lens Co.*, 316 U.S. 241, and *United States v. Masonite Corp.*, 316 U.S. 265, that the public policy underlies the grant of a patent and that beyond the limited monopoly which is granted the arrangements by which the patent is utilized are subject to the general law.

While the court below did not in so many words state that the patent monopoly may be exercised with immunity under the Sherman Act and therefore does not tolerate inquiry as to the validity of the patent licensed, it, in effect, so held by invoking the doctrine of estoppel against attack on validity of the patent and by further holding that the unlawful provisions are severable by application of the so-called "Blue Pencil Rule" in effect in Pennsylvania.

In the Sola case this Court said:

> "To the federal statute and policy, conflicting state law and policy must yield"—

referring to the Constitution, Article VI, clause 2, *Avotin v. Atlas Exchange Bank*, 295 U.S. 209; *Deitrick v. Greaney*, 309 U.S. 190.

Article VI, clause 2 of the Constitution provides that the laws of the United States made pursuant to the Constitution shall be the supreme law of the land; and that judges in every state shall be bound thereby, anything in the constitution or laws of any state to the contrary notwithstanding.

Before further discussing the Sola case as to its specific application to patent license contracts providing for price-fixing, a review of some of this Court's decisions before and after the *Sola* case will establish that it is the public policy that patent contracts are subject to the general law. In *United States v. Univis, Lens Co.*, 316

U.S. 241, the late Mr. Chief Justice Stone, speaking for the Court, said (p. 251):

> "The added stipulation by the patentee fixing resale prices derives no support from the patent and must stand on the same footing under the Sherman Act as like stipulations with respect to unpatented commodities."

And on page 252:

> "Agreements for price maintenance of articles moving in interstate commerce are, without more, unreasonable restraints within the meaning of the Sherman Act because they eliminate competition, United States v. Trenton Potteries Co., 273 U.S. 392."

While the *Univis* case dealt with a system of controlling resale prices, the same doctrine was applied in *United States v. Masonite Corp.*, 316 U.S. 265, where, on page 280, Mr. Justice Douglas, speaking for the Court, said:

> "Congress has provided that a patentee shall have the 'exclusive right to make, use, and vend the invention or discovery' for a limited period. But the scope of the right to 'vend' cannot be determined by reference to the private law of sales alone. Since patents are privileges restrictive of a free economy, the rights which Congress has attached to them must be strictly construed so as not to derogate from the general law beyond the necessary requirements of the patent statute. United States v. Univis Lens Co., Inc. supra."

In *Morton Salt Co. v. Suppiger Co.*, 314 U.S. 488, the late Mr. Chief Justice Stone, speaking for a unanimous court, defined the patent monopoly in relation to

the public interest with reference to Article I, Sec. 8 of the Constitution:

> "The grant to the inventor of the special privilege of a patent monopoly carries out a public policy adopted by the Constitution and laws of the United States, 'to promote the Progress of Science and useful Arts, by securing for limited Times to * * * Inventors the exclusive Right * * *' to their 'new and useful' inventions."

The Court then goes on to say:

> "But the public policy which includes inventions within the granted monopoly excludes from it all that is not embraced in the inventions. It equally forbids the use of the patent to secure an exclusive right or limited monopoly not granted by the Patent Office and which it is contrary to public policy to grant.
>
> "It is a principle of general application that courts, and especially courts of equity, may appropriately withhold their aid where the plaintiff is using the right asserted contrary to the public interest. Virginian Ry. Co. v. Federation, 300 U.S. 515, 552" and other cases cited.
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> * * * * * * *
>
> "The patentee, like these other holders of an exclusive privilege granted in the furtherance of a public policy, may not claim protection of his grant by the courts where it is being used to subvert that policy."

And again in *United States v. Masonite Corp.*, 316 U.S. 265 the Court, said (p. 277):

> "The owner of a patent cannot extend his statutory grant by contract or agreement. A patent affords no immunity for a monopoly not fairly or plainly within the grant."

With reference to the Court's decision in the *Morton Salt* case on the doctrine that the public policy excludes from patent grants all that is not embraced in the invention, the Court said:

> "Beyond the limited monopoly which is granted, the arrangements by which the patent is utilized *are subject to the general law.* Standard Sanitary Mfg. Co. v. United States, 226 U.S. 20; Boston Store v. American Graphophone Co., 246 U.S. 8; Ethyl Gasoline Corp. v. United States, 309 U.S. 436." (Emphasis supplied)

This doctrine has been further extended in decisions by this Court subsequent to the *Sola* case in *Mercoid Corp. v. Mid-Continent Investment Co.*, 320 U.S. 661, and *Mercoid Corp. v. Honeywell Co.*, 320 U.S. 680. In the *Mercoid v. Mid-Continent* case the Court held that it is the protection of the public in a system of free enterprise which denies to the patentee after issuance the power to use his patent in a way to acquire a monopoly which is not plainly within the terms of the grant. The court, speaking through Mr. Justice Douglas, said:

> "The grant of a patent is the grant of a special privilege 'to promote the Progress of Science and useful Arts'. Const., Art. I, § 8. It carries, of course, a right to be free from competition in the practice of the invention. But the limits of the

patent are narrowly and strictly confined to the precise terms of the grant. Ethyl Gasoline Corp. v. United States, 309 U.S. 436, 456; United States v. Univis Lens Co., 316 U.S. 241, 251. It is the public interest which is dominant in the patent system. * * * *It is the protection of the public in a system of free enterprise which alike nullifies a patent where any part of it is invalid (Marconi Wireless Co. v. United States, 320 U.S. 1, 58; General Electric Co. v. Wabash Corp., 304 U.S. 364) and denies to the patentee after issuance the power to use it in such a way as to acquire a monopoly which is not plainly within the terms of the grant.* The necessities or convenience of the patentee do not justify any use of the monopoly of the patent to create another monopoly. The fact that the patentee has the power to refuse a license does not enable him to enlarge the monopoly of the patent by the expedient of attaching conditions to its use. United States v. Masonite Corp., p. 277. The method by which the monopoly is sought to be extended is immaterial. United States v. Univis Lens Co., pp. 251-252. The patent is a privilege which is conditioned by a public purpose. It results from invention and is limited to the invention which it defines. *When the patentee ties something else to his invention, he acts only by virtue of his right as the owner of property to make contracts concerning it and not otherwise. He then is subject to all the limitations upon that right which the general law imposes upon such contracts. The contract is not saved by anything in the patent laws because it relates to the invention.* If it were, the mere act

of the patentee could make the distinctive claims of the patent attach to something which does not possess the quality of invention. Then the patent would be diverted from its statutory purpose and become a ready instrument for economic control in domains where the anti-trust acts or other laws not the patent statutes define the public policy." (Emphasis supplied)

In *Mercoid Corp. v. Honeywell Co.*, 320 U.S. 680, Mr. Justice Douglas, speaking for a unanimous Court, said with reference to this Court's decision in Mercoid v. Mid-Continent Investment Co.:

"*The legality of any attempt to bring unpatented goods within the protection of the patent is measured by the anti-trust laws not by the patent law.* For the reasons stated in Mercoid v. Mid-Continent Investment Co., the effort here made to control competition in this unpatented device plainly violates the anti-trust laws, even apart from the price-fixing provisions of the license agreements. It follows that petitioner is entitled to be relieved against the consequences of those acts. *It likewise follows that respondent may not obtain from a court of equity any decree which directly or indirectly helps it to subvert the public policy which underlies the grant of its patent.* Morton Salt Co. v. Suppiger Co., 314 U.S. 488; B.B. Chemical Co. v. Ellis, 314 U.S. 405." (Emphasis supplied)

By the foregoing decisions of this Court, any contract arrangements under patents are no more than arrangements coming under the general law. There-

fore if under the general law a contract containing price-fixing provisions is illegal, then it must follow that patent contracts containing price-fixing provisions are illegal.

In the case at bar the trial court's 7th conclusion of law (R. 176) is that:

> "Since the Jones patent is presumptively valid, the price-fixing clauses 5 and 6 of the license agreement are presumptively legal."

This conclusion, contrary to the decision in the *Univis*, *Masonite* and *Morton Salt* cases, assumes that the contract is so interwoven with the patent right that on the general presumption of validity attaching to the grant of a patent there must follow a similar presumption as to legality of the license agreement. Where, as here, respondent has by contract tied price-fixing to its patent, then under the hereinbefore quoted decisions of this Court that contract is subject to all the limitations which the general law imposes upon such contracts, and it is not saved by anything in the patent laws such as presumption of validity merely because it relates to invention.

As stated by the late Mr. Chief Justice Stone in the *Sola* case, such a restriction on the price of articles entering interstate commerce is a violation of the Sherman act save only as it is within the protection of a lawfully granted patent monopoly, citing the *Univis* and *Masonite* cases, and—"Agreements fixing the competitive sales price of articles moving interstate not within the protection of a patent are unlawful because prohibited by the Sherman Act".

Contrary to this holding by this Court, the trial court's 8th conclusion of law is (R. 176):

"The case of Jefferson v. Sola, 63 Sup. Ct. 172, does not give defendant a right under the pleadings and facts of this case to challenge validity of the price-fixing clauses 5 and 6 of the license agreement."

And as to the validity of the patent the trial court said in conclusion of law No. 11 (R. 176):

"As between these parties the Jones patent No. 1,651,709 is valid and the license agreement is legal and enforceable."

These conclusions of law, that petitioner does not have the right to challenge the validity of the price-fixing clause or the patent are again contrary to this Court's express holding in the *Sola* case, which states:

"The federal courts have been consistent in holding that local rules of estoppel will not be permitted to thwart the purposes of statutes of the United States."

In support of this rule the Court refers to its decisions on federal statutes governing interstate freight rates, national banks and land laws, and as to proof of illegality of price-fixing agreements the Court said that a defendant in such suit—

"* * * may offer any competent evidence to establish its illegality, including proof of the invalidity of the patent."

In conclusion the Court said:

"Local rules of estoppel which would fasten upon the public as well as the petitioner the burden of an agreement in violation of the Sherman Act must yield to the Act's declaration that such agreements are unlawful, and to the public policy of the Act which in the public interest precludes the enforce-

ment of such unlawful agreements. Morton Salt Co. v. Suppiger Co., 314 U.S. 488."

The doctrine of the *Sola* case, that estoppel cannot be asserted in contravention of public policy statutes, has long been followed by the federal courts.

In *Central of Georgia Ry. Co. v. Blount et al.*, 238 F. 292 (C.C.A. 5), the court had before it the question of unjust discrimination by a carrier charging one person less for services rendered in transportation than it did others for like services, prohibited by the Elkins Act. The defendant therein sought to dismiss the bill on the ground, *inter alia*

"Because the complainant, having executed the said lease and having thereby induced and moved the defendant to erect the manufacturing plant and build up a business therefrom of great profit, is estopped to claim and obtain, from the court of equity, its intervention to cancel or reform said lease."

The Court with reference to the estoppel claimed by the plaintiff said:

"A party to a transaction prohibited and penalized by law *cannot estop himself* from setting up its invalidity." (Emphasis supplied)

In *McCutcheon v. Merz Capsule Co.*, 71 F. 787, 19 C.C.A. 108, 31 L.R.A. 415, the Sixth Circuit Court of Appeals, per Judges Taft, Lurton and Hammond, considered a case of a proposed purchase of all of the plant and assets of the Merz Capsule Company by a new cor-

poration to be organized, such act being unlawful under the Michigan Anti-Trust Statute and in excess of Merz Capsule Company's corporate powers under the law and policy of the State of Michigan in respect to its domestic corporations. After the formation of the new corporation, Merz Capsule Cmpany, relying upon the illegality of the agreement, refused to convey its property and sought to be relieved of the illegal agreement. The Court said:

> "Though a deed and bill of sale had been executed and delivered in furtherance of the original agreement, possession has not been surrendered, and the bonds to be delivered in payment have neither been delivered nor executed.
>
> * * * * * * *
>
> "Under all these circumstances, to hold that the complainant is estopped to rely upon the illegality of the agreement and conveyance to which it was a party would be to effectuate an unexecuted, unlawful object, and aid in the defeat of a legal prohibition. * * * The decree of the court declaring the illegality of the agreement of November 29, 1893, and of the deed of December, 1893, and restraining the appellants from interfering with the title or possession of appellee under color thereof, should be, and accordingly is, affirmed.

In *Joy v. Godchaux*, 35 F. 2d 649, the Circuit Court of Appeals for the Eighth Circuit had before it the question of estoppel arising in a suit by a Receiver for the collection of notes given in payment of the issuance of stock. The Court said:

> "If the notes in question were absolutely void under section 6, art. 12, of the Constitution of Texas, or

under its statutes, then the doctrine of estoppel would not apply, as estoppel cannot make valid that which the Constitution and laws of a state make absolutely invalid, * * *."

These cases by the Fifth, Sixth and Eighth Circuit Courts of Appeals, contrary to the decision of the Supreme Court of the State of Pennsylvania in this cause, uniformly hold that estoppel by agreement cannot be resorted to in contravention of a public policy statute.

This was also recognized by Mr. Justice Frankfurter in the recently decided case of *Scott Paper Co. v. Marcalus Mfg. Co.*, reported 67 USPQ 193, where, in a dissenting opinion, he said (p. 200):

"*Of course, parties cannot by agreement defeat an explicit provision or purpose of legislation.* One shipper cannot, for instance, secure the private advantage of a lower rate when the Interstate Commerce Act provides for equality of rates among shippers, Pittsburgh, etc., Ry. Co. v. Fink, 250 U.S. 577; nor can an employer defeat the protective purpose of the Fair Labor Standards Act setting minimum wage limits, by an agreement based on the inequality of bargaining power between employers and individual employees, Brooklyn Savings Bank v. O'Neil, 324 U.S. 697, 706." (Emphasis supplied)

The case at bar differs from the *Sola* case in that there have been no sales that did not conform to the terms of the license agreement except as to the special silver alloy which petitioner contends does not come under the scope of the licensed patent. The lower court stated (R. 240):

> "In the instant case the court has not been requested either directly or indirectly to require MacGregor to maintain Westinghouse prices."

That statement is true for the reason that petitioner MacGregor always did maintain the Westinghouse prices. He testified (R. 93):

> "Q. How long has it been in fact since you have maintained the Westinghouse prices on any phosphorus copper tin or phosphorus copper silver solder that you have sold?
>
> "A. I maintained and still maintain the Westinghouse prices.
>
> "Q. On your phosphorus copper silver solder?
>
> "A. I have not finished my answer. I maintain it on the copper phosphorus alloy alone. That is what we think of as the Westinghouse alloy. I maintain it on the copper phosphorus tin alloy. I do not maintain it or attempt to maintain it on the copper phosphorus silver alloy."

This testimony stands uncontradicted in the record and since petitioner never considered the silver alloy to come under the license, he obviously did not attempt to maintain the Westinghouse prices in regard thereto. But the court below erroneously applied this statement as to no price maintenance on the silver alloy to the alloys which MacGregor had sold under the license. The court said (R. 174):

> "By his own testimony he has not maintained them."

If this were true, respondent would no doubt have sought an injunction restraining MacGregor's sales except in conformity with the terms of the license agreement, as in the *Sola* case.

The lower court further sought to avoid the scope of this Court's opinion in the *Sola* case by holding (R. 206):

"* * * the price-fixing clauses 5 and 6 of the contract are divisible subject matter, and could be stricken out with no effect on the obligation to pay royalty. * * *

"Even if the price-fixing clauses were per se unenforceable or illegal, this would not render the agreement as a whole illegal and would not make the remaining provisions of the license agreement unenforceable. The 'Blue Pencil Rule' is applicable. Williston on Contracts, 1937 Edition, Section 1659. The Supreme Court of Pennsylvania recognizes the so-called 'Blue Pencil Rule'. Smith's Appeal, 113 Pa. 579; Monongahela, etc. v. Jutte, 210 Pa. 288."

Before the decision was handed down but after the trial of this case, respondent sent petitioner a telegram cancelling the price-fixing clauses 5 and 6 of the license agreement.[6]

---

[6] "Pittsburgh Pa Apr 12
ALPINE MACGREGOR CARE ALLOY SPECIALTY CO
2141 WAVERLY ST
REFERRING TO THE LICENSE AGREEMENT EXECUTED NOVEMBER 19 1937 BY AND BETWEEN WESTINGHOUSE ELECTRIC AND MFG CO AND ALPINE MACGREGOR UNDER UNITED STATES PATENT 1651709 WE WISH TO NOTIFY YOU THAT EFFECTIVE APRIL 17 1943 THE WESTINGHOUSE ELECTRIC AND MFG CO HEREBY WAIVES DURING THE TERM OF THE AFORESAID AGREEMENT ARTICLES 5 AND 6 THEREOF RELATING TO PRICES TERMS AND CONDITIONS OF SALE AND HEREBY WITHDRAWS ALL SCHEDULES OF PRICES TERMS AND CONDITIONS OF SALE UNDER SAID AGREEMENT NOW IN FORCE
J B SEASTONE
WESTINGHOUSE ELECTRIC AND MFG CO"

There are no doubt cases where the courts have severed unenforceable provisions of agreements to render the agreement as a whole enforceable as to some other valid provisions, but such rule may not be applied to contracts that are void in violation of law or against public policy. In *Hazelton v. Scheckles,* 202 U. S. 71, 78, Mr. Justice Holmes, speaking for the Supreme Court, said:

> "Every part of the consideration goes equally to the whole promise and therefore, if any part of it is contrary to public policy, the whole promise fails."

That case dealt with a contract to deliver property at an agreed price within duration of a specified session of Congress, part of the consideration being that the person to whom the property was to be conveyed was to endeavor to sell it to the United States and to procure legislation to that end. While in that case the contract was held void as against public policy, the doctrine of that decision and the cases therein cited was applied in a case where a contract was void in violation of law.

In *Western Indemnity Co. v. Crafts,* 240 F. 1, 7, the Circuit Court of Appeals for the Sixth Circuit, after quoting from *Hazelton v. Scheckles,* said, with reference to a state statute:

> "The statute clearly implies a rule of public policy which is condemnatory of such a scheme, and the effect of this was to taint the very consideration upon which the indemnity contract was founded. * * *
>
> "See also, McMullen v. Hoffman, 174 U. S. 639, 654, 19 Sup. Ct. 839, 43 L. Ed. 1117; Oscanyan v. Arms Co., 103 U. S. 261, 268 et seq., 26 L. Ed. 539;

Arnold v. Clifford, Fed. Cas. No. 555, C.C., decided by Mr. Justice Story on circuit."

It may be inferred from the Sola decision that illegal provisions in a patent royalty contract are not severable, especially so because in *Bement v. National Harrow Co.*, 186 U. S. 70, cited in the *Sola* case the Court said:

"As the statute [referring to the Sherman Act] makes the contract in itself illegal, no recovery can be had upon it when the defense of illegality is shown to the court."

The Interpretation of the Sola Case by the Supreme Court of the State of Pennsylvania Is in Conflict With the Decision of the Seventh Circuit Court of Appeals in Chicago Metallic Manufacturing Co. v. Katzinger Co., 139 F. 2d 291.

In *Chicago Metallic Manufacturing Company v. Katzinger Co.*, 139 F. 2d 291, the patent owner set up estoppel to attack validity of a patent under a license agreement containing price-fixing provisions.

The district court, like in the case at bar, held that the *Sola* case did not apply because price-fixing had not been proven and there was no proof that respondent attempted to carry out the price-fixing provisions. The Court of Appeals, in reversing the district court, said:

"The license agreement, Paragraph 11, supra, note 1, did provide for a clear price-fixing arrangement. The appellee will not be heard to say that it really was not in favor of the provisions as to price-fixing contained in a written agreement it had signed, or that it did not practice price-fixing. The

important thing is that the appellee had provided by contract for the right to fix prices. The agreement was plain and unambiguous. It is not claimed otherwise. There was no justification for the construction that the District Court put upon it to avoid the scope of the Supreme Court's opinion in the Sola case. By the plain provisions of the license agreement, there were arrangements for price-fixing. This was not a separable provision of the agreement, and it was, like the rest of the agreement, based upon a common consideration and was a part of the contract after notice of determination, though functus officio as to the future. The agreement was not purged of the deleterious effect of the price-fixing arrangement by notice of termination. The vice lay in its incorporation in the contract at all. A contract containing price-fixing provisions which do not have the protection of a lawfully granted patent monopoly is invalid, being a violation of the Sherman Anti-Trust Act, 15 U.S.C.A. §§ 1-7, 15 note, and no recovery may be had upon it. Continental Wall Paper Co. v. Louis Voight & Sons Co., 212 U.S. 227, 29 S. Ct. 280, 53 L. Ed. 486. Therefore, since the validity of the entire contract depends upon the validity of the patent, it is clear that no estoppel arising out of the contract can prevent an examination of the patent's validity.

"We decide on the authority of the Sola case, supra, that the appellant was not estopped to deny the validity of the patents, because the license agreement which provided for the estoppel carried a provision for price-fixing. For that reason, no estoppel could arise."

Pursuant to the decision there rendered, the case (freed of the question of estoppel) went back to the District Court for a determination of the question of validity of the patent, which was held invalid. On the second appeal to the Seventh Circuit Court of Appeals, decided January 22, 1946, and reported February 9, 1946, 68 USPQ 102, the court, in reviewing its former decision, said:

> "A decree was entered by the district court on April 24, 1943 in which it was held [57 USPQ 58] that the patent in suit, known as the Jackson patent, was valid as between appellee and appellant and infringed, and an accounting was ordered. The holding of validity was as between the parties only, and was based solely upon the ground of estoppel because of the license agreement heretofore referred to. An appeal was taken from this decree, and this court held on authority of the case of Sola Electric Company v. Jefferson Electric Company, 317 U.S. 173, 63 S. Ct. 172, 87 L. Ed. 165 [55 USPQ 379], that estoppel did not apply, owing to the fact that the license agreement contained a provision for price fixing, and the cause was remanded to the district court. Chicago Metallic Manufacturing Company v. Edw. Katzinger Company, 139 F. 2d 291 [60 USPQ 54] (C.C.A. 7). Thereafter, on September 27, 1944, the district court entered a final decree wherein it held that the Jackson patent in suit was invalid and dismissed the counterclaim, which charged infringement, for want of equity.
>
> * * *
>
> "The decree of the district court is affirmed."

The crucial facts are the same in both the *Chicago* case and in this case. Both the Seventh Circuit Court of Appeals and the Supreme Court of the State of Pennsylvania have fully discussed the *Sola* case, and the two diametrically opposed decisions are irreconcilable under the *Sola* decision.

The vital question of law, namely, the application of the doctrine of the *Sola* case as to whether estoppel by agreement is a bar to the determination of the question of legality of such agreement under the Sherman Act has been decided. It is for this Court to pronounce which of the two decisions is the proper interpretation of the *Sola* case.

The Question of Validity of the Jones Patent Is a Federal Question Collateral to the Question of Legality of the Contract.

If this Court concludes that under its former decisions bringing patent contracts under the general law, a patent contract containing price-fixing provisions is illegal, whether or not the patent is valid, such conclusion alone would require dismissal of this suit and the Court need not consider the further question of the validity of the patent. If, on the other hand, the Court, on the basis of the *Sola* case, reaches the conclusion that price-fixing in patent contracts is illegal only if the patent is invalid, it must follow that under the applicable decisions of this Court the patent is clearly invalid.

The court below on appeal said (R. 235):

> "The trial court did not pass on the validity of the patent. Appellee [Westinghouse] conceded that if failure to pass on the validity of the patent

was error, a new trial should be ordered and no other question need be decided in this court."

Although concluding that the patent was not before the court on the merits as to validity, the trial court said (R. 171):

> "The plaintiff introduced evidence to establish the fact that the prior art does not disclose the Jones solder and that even though Gulliver in his textbook—'Metallic Alloys—1913' commented upon an alloy made of copper and phosphorus that was no bar to a patentable invention making new use of such old material."

The court then referred to the prior art set up by the defendant and said:

> "In its Findings of Fact the Court has differentiated these patents from the Jones patent and comes to the conclusion that while Jones did not invent a copper-phosphorus alloy per se, he did discover that a copper-phosphorus alloy in which phosphorus was preferably between 6 and 9% of the total makes a hard solder that has distinct advantages over solders used in the prior art for the purpose of brazing. Further discussion of this phase of the argument is not necessary."

That holding proposes to pass on the merits of validity and is contrary to this Court's decision in *Holland Furniture Co. v. Perkins Glue Co.*, 277 U. S. 245 and other cases hereinafter discussed.

The trial court's view was adopted by the Supreme Court of the State of Pennsylvania which affirmed the trial court's opinion *in toto*, even though that court may

have had a doubt as to the validity of the Jones patent when it declared that, because in its view the *Sola* case was not applicable to the case at bar—

> "We therefore do not propose to declare the Jones patent invalid."

No amount of evidence which might be added to the record bearing on the validity of the Jones patent could avoid the unalterable conclusion that the patent is invalid, and this Court has jurisdiction to review the question of validity of the patent.

In *E. H. Ferree Co. v. United Shoe Machinery Co.*, 290 U. S. 614, 290 U. S. 708, the Court issued certiorari involving ordinary issues of validity where the Circuit Court of Appeals seemed clearly to have exceeded its proper scope of review.

In *De Forest Radio Co. v. General Electric Co.*, 283 U.S. 664, certiorari was granted because the court had failed to apply settled principles of law in adjudicating the validity of patents.

In Paramount Publix Corporation v. American Tri-Ergon Corporation, 294 U.S. 464, certiorari was issued where validity of the patent had erroneously been adjudicated even though there was no conflict of decisions.

Since the patent has now expired, there is no public interest which would justify this Court granting certiorari a second time if the case were remanded on the question of validity of the patent.

The Jones Patent 1,651,709 Is Prima Facie Invalid and by Respondent's Own Admission Is for an Old Material.

The Jones patent 1,651,709 is *prami facie* invalid:

(a) By claiming old product in terms of its use or function.

(b) As not claiming any invention described or shown in the patent.

(c) As claiming an invention formally abandoned in the Patent Office.

(d) As failing to comply with Section 4888 of the Revised Statutes.

(a) By claiming old product in terms of its use or function.

If the price fixing provisions in patent contracts are not illegal under the general law, then legality of the license can be determined only with reference to the validity of the Jones patent, which is *prima facie* invalid under the law pronounced by this Court because it is for an alleged new use of an admittedly old alloy. The Trial Court (R. 171) found that the alloy of the Jones patent was old, but said:

> "The plaintiff introduced evidence to establish the fact that the prior art does not disclose the Jones solder and that even though Gulliver in his textbook—'Metallic Alloys—1913' commented upon an alloy made of copper and phosphorus that was no bar to patentable invention *making new use of such old material.*" (Emphasis supplied)

In *Holland Furniture Co. v. Perkins Glue Co.*, 277 U.S. 245, Mr. Chief Justice Stone, speaking for this Court, said:

> "* * * the attempt to broaden product claims by describing the product exclusively in terms of its use or function is subject to the same vice as is the attempt to describe a patentable device or machine in terms of its function. As a description of the invention it is insufficient and if allowed would extend the monopoly beyond the invention. * * * Cochran v. Badische, 112 U.S. 293."

This is the well settled law of this Court as pronounced in *Miller and others v. Foree*, 116 U.S. 22; *Brown v. Piper*, 91 U.S. 37; *Knapp v. Morss*, 150 U.S. 221; *Aron v. Manhattan Railway Co.*, 132 U.S. 84; *Ansonia Brass & Copper Co. v. Electrical Supply Co.*, 144 U.S. 11.

The rule of law was specifically applied to a composition of matter, such as the alloy here, in *Kaumagraph Co. v. Superior Trade Mark Mfg. Co.*, 72 F. 2d 417, wherein the Second Circuit Court of Appeals said:

> "A patent for a composition of matter covers the composition described and claimed, but not every use or function of it. A description of such a composition in terms of its use or function would not be sufficient to make it patentable. Holland Furniture Co. v. Perkins Glue Co., 277 U.S. 245."[7]

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[7] In the prosecution of his application in the United States Patent Office, when rejected on the publication to Gulliver, "Metallic Alloys" (R. 147), applicant admitted that the composition of his alloy was old. He said (R. 133):

> "Applicant admits that he is not the first to produce a copper phosphorus alloy of this approximate composition but believes that he

Under the foregoing authorities the mere use of an old alloy for soldering is not patentable invention and the Jones patent herein licensed is *prima facie* invalid.

(b) As not claiming any invention described or shown in the patent.

The claims of the Jones patent are further invalid as not being for any invention described or shown in the patent. The claims originally filed in the Patent Office, numbered 3, 4 and 8. (R. 132), for the only alloys described in the patent were canceled after rejection and claims 1 to 4 of the patent here in suit are *prima facie* invalid as not being for any invention described or shown in the patent[8]; *Edison v. Amer. Mutoscope Co.*, 114 F.

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has discovered new properties of such alloy which make it especially adapted for application in soldering."

Respondent in its brief below made a like admission, as quoted in the footnote p. 5 of this brief, but it contended that the invention resides in the use of the old alloy for soldering.

[8] The only alloys mentioned in the patent specification as useful for soldering are, copper and phosphorus containing (a) 10% or less phosphorus, (b) containing from 6% to 9% phosphorus, (c) containing 8.27% phosphorus which melts at about 707° C. As shown by the file history of the patent (R. 132) the original claims 3, 4 and 8, as filed in the Patent Office and cancelled, were directed to these alloys in the order named and read as follows:

"3. A solder comprising an alloy of copper and phosphorus containing less than 10% of phosphorus.

"4. A solder comprising an alloy of copper and phosphorus containing about 6% to 9% of phosphorus.

926, 934, C.C.A. 2; *State Bank of Chicago v. Hillman's*, 180 F. 732, C.C.A. 7; *Taggart v. Bremner*, 295 F. 506, C.C.A. 7; *Republic Iron and Steel Co. v. Youngstown S. & T. Co.*, 272 F. 386, 390, C.C.A. 6; *Benoit v. Wadley Co.*, 54 F. 2d 1041, 1043, C.C.A. 7 (1932); *Weil Pump Co. v. Chicago Pump Co.*, 74 F. 2d 13, 17, C.C.A. 7 (1934); *Consolidated Motor Parts v. Nat. Motor Bearing Co.*, 80 F. 2d 97, 99 C.C.A. 2 (1935); *Ingersoll Steel & Disc. Co. v. Budd Wheel Co.*, 67 F. 2d 753, 757, C.C.A. 7 (1933). The patent monopoly otherwise would thus be extended beyond the discovery and would discourage rather than promote inventions; *U. S. Ozone Co. v. U. S. Ozone Co.*, 62 F. 2d 881, 891, C.C.A. 7 (1932).

(c) As claiming an invention formally abandoned in the Patent Office.

It is fundamental patent law that a patentee is estopped from asserting his patent to cover subject matter canceled from the application during its prosecution in the Patent Office; *Royer v. Coupe*, 146 U.S. 524; *Corbin Cab Lock Co. v. Eagle Lock Co.*, 150 U.S. 38; *Hubbell v. U.S.*, 179 U.S. 77; *Morgan Envelope Co. v. Albany Perforated Wrapping Paper Co.*, 152 U.S. 425; *Keystone Driller Co. v. North West Eng. Co.* 294 U.S. 42.

Claims 1 to 4 here in suit cannot be read without including the subject matter of the canceled claims.[9]

"8. A solder comprising a eutectic alloy of copper and phosphorus containing 8.27% phosphorus which melts at 707°C."

[9] See footnote 8, page 33.

In *Leggett v. Avery,* 101 U.S. 256, 259, Mr. Justice Bradley, speaking for the court, said:

"The allowance of claims once formally abandoned by the applicant, in order to get his letters patent through, is the occasion of immense frauds against the public."

(d) As failing to comply with Section 4888 of the Revised Statutes.

The claims of the patent are further invalid under recent decisions by this Court as failing to comply with Section 4888 of the Revised Statutes. In *General Electric Co. v. Wabash Appliance Corp.,* 304 U.S. 364, the Court said:

"We need not inquire whether Pacz exhibited invention, or whether his product was anticipated. The claim is invalid on its face. It fails to make a disclosure sufficiently definite to satisfy the requirements of R.S. Section 4888, 35 U.S.C. Sec. 33 * * *."

This case was followed in *United Carbon Co. v. Binney & Smith Co.,* decided by this Court on the same day as the *Sola* case, and reported 317 U.S. 228.

Obviously the claims are indistinct both as to the range of proportions of the compositions employed and the temperature range at which they are to be used, none of the compositions or temperature ranges of the claims being described in the patent.

Further consideration of invalidity based on the prior art of record in this case is unnecessary, and no amount of evidence pro or con could alter the fact that the Jones patent is invalid. Under such circumstances

this Court, in *Slawson v. Grand Street R.R.*, 107 U.S. 649, Mr. Justice Wood, speaking for the Court, said:

> "If they [the patents] are void because the device or contrivance described therein is not patentable, it is the duty of the Court to dismiss the cause on that ground, whether the defense be made or not."

Where the question of validity is collateral to the question of legality of the contract, a finding of invalidity by this Court under its decision in the *Sola* case will result in a finding of illegality of the contract.

POINT II.

The License Agreement Is Illegal Under This Court's Decisions Condemning Resale Price Maintenance.

Pursuant to the price-fixing clauses paragraphs 5 and 6 of the license agreement, quoted page 3 of this brief, respondent by letter, Exhibit "L" (R. 148), submitted a User Price List 26-820 (R. 149-150) and a Distributor Price List 26-826 (R. 151-152), the letter stating in part:

> "In connection with this price form you of course understand your obligation to observe and follow these prices, terms, and conditions of sale established by Westinghouse in accordance with the provisions of paragraph 5 of our license agreement with you dated November 16, 1937. These prices are minimum and discounts are maximum and neither is to be bettered either directly or indirectly in any manner whatsoever."

The User Price List (R. 149) under the heading "User Prices per Pound" lists the sizes, weights and prices per pound of phosphorus-copper brazing solders

and under the heading "Assortments" defines the prices to the user as determined by the aggregate weight on individual orders authorized for unit shipment to one destination.

The Distributor Price List (R. 151) under the same heading "User Prices per Pound", lists the same sizes, weights and prices per pound as the User Price List, and under the heading "Assortments", first occurrence (R. 152), instructs the distributor as to the determination of the prices to the user. The Distributor Price List in addition establishes distributor discounts and under the heading "Assortments", second occurrence (R. 152), the manner of determining discounts by aggregate weight on individual orders.

Petitioner testified (R. 54):

"Q. Did you ever have any difficulty with Westinghouse regarding the enforcement of these price lists?

"A. Yes.

"Q. In what respect?

"A. Many of the difficulties were on the matter of the prices at which our jobbers were selling the material."

The witness Seastone, respondent's manager, did not contradict the statements of MacGregor. He testified (R. 41-2):

"Q. You never complained to Mr. MacGregor that he did not keep up his prices?

"A. I think there were cases—there may have been—perhaps I should better get the question specifically in mind before I answer.

(Question read.)

"A. I think on one occasion, if I remember, we did discuss with MacGregor as to whether or not he was maintaining his prices.

"Q. Was it with reference to any particular customer of MacGregor's?

"A. I don't remember.

"Q. Was the complaint about the prices he was charging the distributor or the prices that the distributor was selling for?

"A. I would believe, without remembering, I believe that it was the prices that he was charging the distributor because, and I believe that because we had specific discussions both with MacGregor and I believe with you at that time, to the effect that that was the limit that we might not exceed, that we were only properly interested in MacGregor's prices to his distributors or MacGregor's prices to the users who purchased from him.

"Q. Did you not complain about a New England distributor selling at less than the list price, in my office?

"A. I don't remember."

Respondent made much of a letter (Plaintiff's Ex. 4, R. 129) dated October 23, 1940, written by its Patent Department to petitioner's counsel explaining that it was not endeavoring to establish a user price; but that letter was written in response to a letter by petitioner's counsel addressed to Westinghouse (Plaintiff's Ex. 3, R. 127) stating:

"The requirement that the licensee establish a user price per pound in addition to the original sales price or dealer price is illegal under the recent pronouncement of the Supreme Court in the Ethyl Gas

case as an attempt to extend the patent monopoly in restraint of trade. I cannot advise my client to even attempt to enforce such a price schedule as it would subject him to prosecution by the Department of Justice as a co-conspirator in violation of the Clayton Act, entailing fine and imprisonment." Petitioner testified on cross-examination (R. 92):

"Q. Now, Mr. MacGregor, yesterday on this question of fixing prices and re-sale prices. You went on under direction of counsel to say that there had been instances in which the Westinghouse Company as you understood it, had tried to get you to fix the re-sale prices of your distributors?

"A. Yes, sir.

"Q. Now, was that before or after Mr. Savage's letter which has been put into evidence as plaintiff's Exhibit 4?

"A. That was on October 23rd, 1940. Both before and after Mr. Savage's letter."

That resale price-fixing was intended under the license agreement is further evident from the agreement itself wherein paragraph 5 expressly conditions the license upon the maintenance of resale prices:

"Westinghouse grants this license on the express condition that the prices, terms and conditions of sale for use or sale in the United States of America * * *."

The term "sale for use or sale" can mean only that petitioner's sales shall be conditioned to maintain prices and terms for use or *resale* in the United States.

That resale price-fixing was contemplated by the agreement is further apparent in paragraph 6 of the agreement:

"6. It is agreed that it shall be regarded as an evasion of this agreement amounting to a breach thereof for MacGregor to reduce Westinghouse's sale price or alter Westinghouse's selling terms and conditions of sale directly or indirectly either through its own organization, its agents or others by any device, subterfuge or evasion or by any means whatever or to make the prices lower or the terms or conditions more favorable than those set forth by Westinghouse."

Under this provision Westinghouse seeks to control the sales price of the licensed solder beyond the sale of it by petitioner. Petitioner may only control the selling price of his product by direct sales and under many decisions of this Court may not legally indirectly control the same through his agents or others as provided for in this clause.

The practice of maintaining the resale price of patented articles, even where the patent is valid, is condemned by this Court in *Bauer & Cie. v. O'Donnell*, 229 U.S. 1, where Mr. Justice Day, speaking for the Court, said (p. 17):

"* * * it was the intention of Congress to secure an exclusive right to sell, and there is no grant of a privilege to keep up prices and prevent competition by notices restricting the price at which the article may be resold. The right to vend conferred by the patent law has been exercised, and the added restriction is beyond the protection and purpose of the act."

And in a recent decision, *Ethyl Gas v. United States*, 309 U.S. 436, the Court said:

"And by the authorized sales of the fuel by refiners to jobbers the patent monopoly over it is exhausted, and after the sale neither appellant nor the refiners may longer rely on the patents to exercise any control over the price at which the fuel may be resold."

Conclusion.

Under the former decisions of this Court that a patent right is a privilege which may not be used to derogate from the general law, *United States v. Univis Lens Co., supra*; that a patentee, like other holders of an exclusive privilege, granted in the furtherance of a public policy, may not claim protection of his grant by the courts where it is being used to subvert that policy, *Morton Salt Co. v. Suppiger Co., supra; Mercoid v. Honeywell Co., supra*; that beyond the limited monopoly which is granted the arrangements by which the patent is utilized are subject to the general law, *United States v. Masonite Corp., supra*; that if the patentee, by contract, ties something else to his invention he is subject to all the limitations upon that right which the general law imposes upon such contract, *Mercoid v. Mid-Continent Investment Co., supra*; and because the Court in *United States v. Univis Lens Co., supra,* has stated the general law to be that "agreements for price maintenance of articles moving in interstate commerce are, without more, unreasonable restraints within the meaning of the Sherman Act because they eliminate competition", it must follow that the license contract here involved arranging for price-fixing is in violation of the Sherman Act, is illegal and therefore unenforceable under this Court's decision in *Sola Electric Co. v. Jefferson, supra.*

If not illegal *per se* because of price-fixing provisions, the contract is nevertheless illegal under the *Sola* decision because the Jones patent therein licensed is *prima facie* invalid as claiming an old product in terms of its use or function, *Holland Furniture Co. v. Perkins Glue Co., supra;* as not claiming any invention described or shown in the patent, *Edison v. American Mutoscope Co., supra*; as claiming an invention formally abandoned in the Patent Office, *Royer v. Coupe, supra*; and as failing to comply with Section 4888 of the Revised Statutes, *General Electric Co. v. Wabash Appliance Corp., supra,* so that no product licensed to petitioner under the license contract is within the scope of a patent monopoly.

The decision below should be reversed and the Court below directed to vacate its judgment.

Respectfully submitted,

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